



WEEKLY ECONOMIC DIGEST

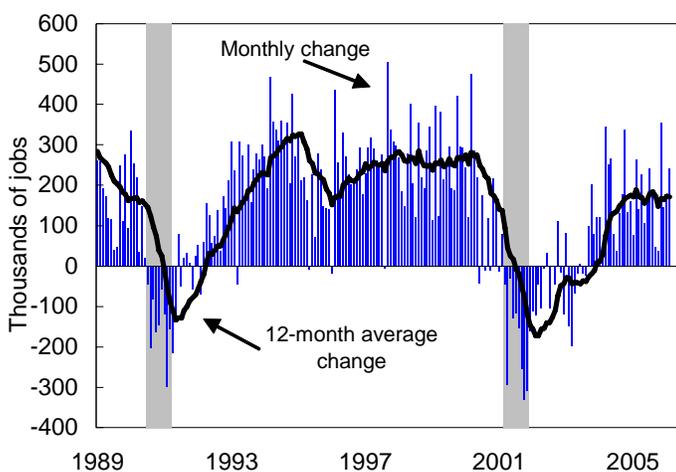


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF
SENATOR JACK REED (D-RI) – RANKING DEMOCRAT

March 14, 2006

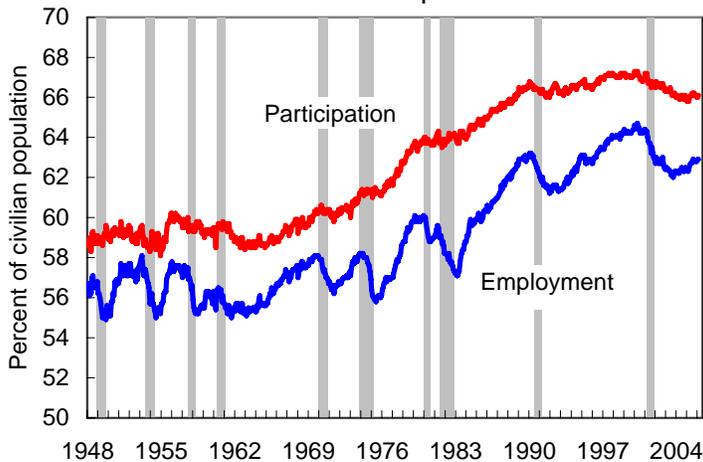
Job Growth Solid in February but Labor Force Participation Has Yet to Rebound

Change in Nonfarm Payroll Employment



Source: Bureau of Economic Analysis, U.S. Department of Labor and National Bureau of Economic Research.

Civilian Employment-to-Population Ratio and Labor Force Participation Rate



Source: Bureau of Labor Statistics, U.S. Department of Labor and National Bureau of Economic Research.

Note: Gray areas indicate periods of recession as defined by the National Bureau of Economic Research.

- **Payroll employment rose in February.** Total payroll employment at nonfarm establishments rose by 243,000 jobs last month. Over the past 12 months, payroll employment growth has averaged 171,000 jobs per month. That is somewhat faster than the job growth necessary to absorb normal increases in the labor force, but job growth was not as strong as in the previous economic expansion (see top chart).
- **Unemployment was little changed last month.** The civilian unemployment rate edged up by 0.1 percentage point to 4.8 percent in February. The percentage of the population either working or actively seeking work ticked up by 0.1 percentage point to 66.1 percent, but that is still 1.1 percentage points below the labor force participation rate at the start of the recession in March 2001 (see bottom chart). The percentage of the population with a job remained unchanged at 62.9 percent in February, 1.4 percentage points below the employment-to-population ratio in March 2001.
- **Average weekly earnings were flat in February.** The average hourly earnings of production or nonsupervisory workers in nonfarm private establishments rose by 0.3 percent before inflation last month. However, the average workweek fell from 33.8 to 33.7 hours, leaving average weekly earnings essentially unchanged. Average weekly hours fell during the recession but have not recovered as they have following earlier recessions.
- **The trade deficit widened again in January.** The deficit for international trade in goods and services (imports minus exports) rose by \$3.4 billion to \$68.5 billion in January. Exports rose by \$2.8 billion, but imports jumped by \$6.2 billion. Petroleum imports rose by 4.3 percent, reflecting higher January oil prices. Non-oil imports rose by 3.8 percent in January, following a 3.2 percent rise in December.

The Economy at a Glance	Feb	Jan	Dec	Nov	2005 Qtr 4	2005 Qtr 3	2005 Qtr 2	2005 Qtr 1	2005	2004
Economic Activity										
Real GDP (% growth)	—	—	—	—	1.6	4.1	3.3	3.8	3.5	4.2
Industrial Production (% growth)*	n.a.	-2.4	11.4	14.0	5.6	1.4	1.6	3.8	3.3	4.1
Capacity Utilization (level, %)*	n.a.	80.9	81.2	80.6	80.6	79.8	79.9	79.9	80.1	78.6
Civilian Unemployment Rate (level, %)	4.8	4.7	4.9	5.0	5.0	5.0	5.1	5.2	5.1	5.5
Housing Starts (thousands)*	n.a.	2276	1988	2136	2058	2101	2044	2083	2072	1950
Real Disposable Personal Income (% growth)	n.a.	0.7	6.4	9.0	7.1	-2.0	0.2	-3.4	1.5	3.4
Retail Sales (% growth)*	n.a.	32.0	4.6	11.2	2.0	6.9	11.2	4.8	7.5	7.3
Personal Saving Rate (level, %)	n.a.	-0.7	-0.4	-0.2	-0.2	-1.6	-0.2	0.5	-0.4	1.8
Inflation & Productivity										
CPI-U Inflation, all items (% growth)*	n.a.	8.7	-1.2	-8.1	3.2	5.5	3.7	2.5	3.4	2.7
Core CPI-U Inflation (% growth)*	n.a.	2.4	1.2	2.4	2.4	1.6	2.0	2.5	2.2	1.8
Employment Cost Index (% growth)	—	—	—	—	3.2	3.2	2.8	2.8	3.2	3.9
Output per Hour (% growth)	—	—	—	—	-0.5	4.2	2.4	3.8	2.9	3.4
Financial Markets										
T-bill Rate, 3-month (level, %)	4.43	4.24	3.89	3.88	3.83	3.36	2.86	2.54	3.15	1.37
T-note Rate, 10-years (level, %)	4.57	4.42	4.47	4.54	4.49	4.21	4.16	4.30	4.29	4.27
Federal Funds Rate (level, %)	4.49	4.29	4.16	4.00	3.98	3.46	2.94	2.47	3.22	1.35
Dow Jones Industrial Avg (index level)	10971	10872	10828	10695	10616	10544	10382	10648	10548	10317

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; and Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. The Employment Cost Index is for civilian workers. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

n.a. Denotes that data are not yet available.

* Subject to revision over the next week.

Upcoming Economic Releases:

- **U.S. International Transactions: Fourth Quarter and Annual Averages for 2005** [Release: Tuesday, March 14]
- **Advance Monthly Sales for Retail and Food Services: February 2006** [Release: Tuesday, March 14]
- **Manufacturing and Trade Inventories and Sales: January 2006** [Release: Tuesday, March 14]
- **U.S. Import and Export Price Indexes: February 2006** [Release: Wednesday, March 15]
- **New Residential Construction: February 2006** [Release: Thursday, March 16]
- **Consumer Price Index: February 2006** [Release: Thursday, March 16]
- **Industrial Production and Capacity Utilization: February 2006** [Release: Friday, March 17]